

**STATE OF INDIANA
HOUSE OF REPRESENTATIVES**

THIRD FLOOR STATE HOUSE
INDIANAPOLIS, INDIANA 46204

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COMMITTEE ON JOINT RULES
PUBLIC POLICY
ELECTIONS AND APPORTIONMENT

May 7, 2008

**The Honorable Mitchell E. Daniels
Governor, State of Indiana
Room 206, Statehouse
Indianapolis, IN 46204**

Dear Governor Daniels:

I respectfully request that your office fully investigate the performance of the Indiana Department of Local Government Finance (DLGF) under the leadership of Commissioner Cheryl Musgrave. The agency has compounded a number of property tax costs, and the erratic and unpredictable management of the DLGF has greatly shaken my confidence.

In my observation, the DLGF does not make situations better; it frequently makes them worse.

The agency has been threatening LaPorte County with reassessment for some time. They now are poised to carry out their intentions. Unfortunately, after months of foot-dragging, the end results are: 1) my constituents still have not received the tax rebates we both supported; 2) current tax projections based on HEA 1001 will no longer be relevant; 3) this reassessment will cost the taxpayers a lot of money; 4) we will have a whole new round of property tax winners and losers; and 5) folks are growing more confused and less trusting than ever.

My county's dealings with this agency seem to be emblematic of problems endured by others around the state. Here is a summary of issues that have led to delays, vacillation, and more delays:

*** The DLGF first approved LaPorte County's 2006 pay 2007 ratio study on March 16, 2007 after the agency rejected an independently performed LaPorte County ratio study from a paid consultant named Robert Denne.**

*** Later in the year, after your order that the DLGF review all 92 counties' assessments following the Marion County outcry, Ms. Musgrave specifically told LaPorte County on September 7, 2007 that there was no need for a reassessment. She commended LaPorte County officials.**

*** County officials relied on those public statements. As a result, they were stunned to discover that Ms. Musgrave met privately with Mr. Denne to review yet another of his studies. The DLGF did not give local officials notice of the meeting, and the DLGF had no apparent guidelines, procedures, or criteria for its conduct.**

*** A DLGF staff person reportedly left the agency and became a paid consultant for plaintiffs suing over the county's assessments.**

*** Rather than conduct a speedy and efficient review of the latest competing study, the DLGF hesitated and procrastinated for months -- finally issuing a ratio study of its own on**

the eve of a scheduled public hearing in LaPorte on March 5, 2008. The DLGF's study was withdrawn by the agency within hours of it being shown to LaPorte County. Copies were never given to the public.

* The agency tried a second time to issue a ratio study on April 14, 2008, and at Commissioner Musgrave's insistence, the parties advocating the competing studies held an unrecorded meeting on April 16, 2008.

* At another unrecorded conference call on April 24, 2008, Commissioner Musgrave reportedly refused LaPorte County's request for an in-person session like the one she permitted the plaintiffs.

* On the same conference call, Commissioner Musgrave denied that her agency had prevented the distribution of taxpayer rebate checks. However, County Auditor Teresa Shuter and County Treasurer Ken Layton stated her agency issued a memo specifically prohibiting counties from distributing rebate checks if their assessments were under challenge.

* Six months of DLGF delays and indecisiveness have passed since plaintiffs filed a petition for reassessment. Despite two prior decisions in support of the county's assessments, taxpayers have not -- and apparently, will not -- receive their tax relief anytime soon.

This constant waffling and wavering has added to the burdens of LaPorte County taxpayers. In addition to the paralyzing uncertainty, expected reassessment costs, late rebate checks, and constant borrowing for operations, I also understand the DLGF has not acted on LaPorte County's 2007 ratio study, which was submitted six weeks ago. This year's tax bills are likely to be delayed once again.

Furthermore, after reflecting upon this situation, I believe the following questions demand attention:

1) Why would the DLGF leave an entire, large county in limbo for over six months?

2) LaPorte County employed The Nexus Group, which has completed over eighty DLGF-approved ratio studies in Indiana. If their work is called into question, what are the statewide implications? Under what circumstances will they be opened to scrutiny? If a private citizen questions a ratio study, what will it take for that citizen to get an audience with the Commissioner?

3) What was the DLGF's role in delaying tax rebate checks? If, as they claim, they have no role in the matter, under what authority were they giving any direction at all?

Perhaps the most frustrating thing for me, personally, is that neither the Commissioner nor the DLGF seem to acknowledge any fallibility at all. After several formal inquiries, I find their answers to be wanting, and they frequently appear to "wash their hands" of issues over which they clearly have great influence. Whenever the questions become too inconvenient, they simply point back at the people they regulate. In short, they cannot have a lot of power and little responsibility.

I have expressed my frustrations to the DLGF directly. In return, I may have felt better if I would have received a "we could have done better" or a "we've made a few mistakes, too" or even a "we'll make sure this never happens again." But I haven't.

I recognize that for governors of both parties, the oversight of local government finance historically has been a challenge. I also think the General Assembly must do far more to hold the DLGF accountable, and I believe the legislature should thoroughly exercise its oversight responsibilities.

Please know that while I sometimes have disagreed with you about details of tax reform, but I have never doubted your demand for excellence in your work. I also know you are a tough boss who believes the first order of government is to do no harm, and I am certain you will take these concerns seriously.

As always, thank you for your dedicated attention to the dilemmas facing LaPorte County.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott D. Pelath". The signature is fluid and cursive, with the first name "Scott" being more prominent.

**Scott D. Pelath
State Representative**

**cc: Speaker B. Patrick Bauer
President Pro Tempore David Long
State Sen. Ed Charbonneau
State Sen. Jim Arnold
State Rep. Tom Dermody
State Rep. Nancy Dembowski**